

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
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TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 L-03 /081 W
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P 291745Z JUN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 7569

INFO ALL EC CAPITALS

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY RABAT

AMEMBASSY TUNIS

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 12801

USEEC

CORRECTED COPY--LN 4 PARA 4 ADDED

PARIS ALSO FOR USOEC

E.O. 11652: GDS

TAGS: EEC, GR, SP, PO, ETRD, TS, TU, MO

SUBJ: EC FOREIGN MINISTERS COUNCIL, JUNE 26-27, 1978:

TEXTILES

REF: (A) 77 BRUSSELS 14470(NOTAL) (B) BRUSSELS 10770

(NOTAL) (C) BRUSSELS 11252(NOTAL)

1. SUMMARY: THE JUNE 26-27 EC FOREIGN MINISTERS COUNCIL HELD A BROAD DISCUSSION OF PROBLEMS POSED FOR THE COMMUNITY THROUGH INCREASING TEXTILE PRODUCT IMPORTS FROM CONFIDENTIAL

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GREECE, TURKEY, SPAIN, PORTUGAL, MOROCCO AND TUNISIA. THE MINISTERS AGREED THAT CONSULTATIONS SHOULD BE HELD WITH GREECE, AT A JUNE 30 MEETING OF THE EC-GREECE ASSOCIATION COMMITTEE, TO TRY TO SETTLE THE PROBLEM OF GREEK IMPORTS. THE EC COMMISSION WILL ALSO SEEK SPANISH AGREEMENT TO NEGOTIATE ON THE BASIS OF THE QUANTITY CEILINGS IMPOSED BY THE EC COUNCIL IN ITS OCTOBER 1977

DECISION CONCERNING EC TEXTILE NEGOTIATIONS WITH THIRD COUNTRIES. THE COMMISSION CONTINUES TO RECOMMEND COUNCIL APPROVAL OF THE RECENTLY INITIALED EC-PORTUGAL TEXTILE AGREEMENT, BUT THE UK APPEARS UNWILLING TO GO ALONG UNTIL AFTER THE GREEK AND SPANISH CASES HAVE BEEN SETTLED. PROBLEMS WITH TURKEY, TUNISIA AND MOROCCO ARE SAID TO BE MANAGEABLE. END SUMMARY.

2. COUNCIL DISCUSSION WAS STIMULATED BY INCREASINGLY APPARENT TRENDS IN TEXTILE IMPORTS FROM GREECE, SPAIN, AND PORTUGAL, SHOWING THAT ALL THREE ARE NOW OVER THE CEILINGS AGREED BY THE COUNCIL LAST OCTOBER, WHEN IT APPROVED THE MANDATE TO OPEN BILATERAL NEGOTIATIONS WITH THIRD COUNTRY TEXTILE EXPORTERS (REF A). THOSE NEGOTIATIONS FAILED TO PRODUCE AGREEMENTS WITH SPAIN OR GREECE, AND THE AGREEMENT WITH PORTUGAL (REF B) HAS ONLY BEEN CONCLUDED AD REFERENDUM. HOWEVER, ALL THREE COUNTRIES HAD BEEN INFORMALLY NOTIFIED BY THE COMMISSION THAT, AS LONG AS THEIR EXPORTS TO THE COMMUNITY STAYED BELOW THE CEILINGS IN THE COMMISSION'S MANDATE, NO SAFEGUARD ACTIONS WOULD BE TAKEN AGAINST THEM.

3. THE GREEK CASE POSED PERHAPS THE MOST DIFFICULT ISSUE FOR THE COUNCIL. COMMISSION OFFICIAL TRAN VAN TINH TOLD MISSION OFFICER JUNE 27 THAT COMMISSION HAD EARLIER WORKED OUT MODUS VIVENDI WITH GREEK INDUSTRY INVOLVING LIMITS ON CONFIDENTIAL

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EXPORTS OF T-SHIRTS TO THE UK AND OF Undershirts TO FRANCE, BUT THAT GREEK INDUSTRY AND GOVERNMENT HAVE RECENTLY SHOWN THEMSELVES UNWILLING TO OBSERVE THIS ARRANGEMENT. TRAN SAID COUNCIL AGREED TO COMMISSION RECOMMENDATION THAT EC-GREECE ASSOCIATION COMMITTEE BE CALLED INTO SESSION ON URGENT BASIS TO TRY TO SETTLE THE PROBLEM AND THAT MEETING OF THAT COMMITTEE HAS BEEN SCHEDULED FOR JUNE 30. HE ADDED THAT, IF THESE CONSULTATIONS, WHICH ARE REQUIRED BY THE ASSOCIATION AGREEMENT, PROVE UNSUCCESSFUL, THE COMMISSION WILL CALL FOR THE EC TO BEGIN TAKING SAFEGUARD MEASURES AT THE BEGINNING OF NEXT WEEK. TRAN ALSO SAID THAT THE PROBLEM IN THE GREEK CASE HAS BEEN THAT THE ASSOCIATION AGREEMENT HAS NO GENERAL SAFEGUARD CLAUSE, BUT THAT EC HAS NOW PROVEN THAT THE GREEK GOVERNMENT HAS BEEN GIVING REBATES ON INTEREST CHARGES FOR LOANS CONTRACTED BY THE GREEK TEXTILE INDUSTRY. THE EC WILL CONFRONT GREEKS WITH THIS INFORMATION JUNE 30, AND, IF NO FAVORABLE RESPONSE IS RECEIVED, THE EC WILL INVOKE ARTICLE 55 OF THE ASSOCIATION AGREEMENT, WHICH ALLOWS EITHER SIDE TO ADOPT SAFEGUARD MEASURES IN THE ABSENCE OF SATISFACTORY ASSOCIATION COUNCIL ACTION TO REMEDY TRADE IRREGULARITIES.

4. ACCORDING TO TRAN, TURKEY HAS LONG BEEN WILLING TO REACH AN UNDERSTANDING WITH EC BUT HAD SET AS A PRE-CONDITION THAT GREECE BE GIVEN EQUAL TREATMENT. NOW THAT EC CAN MOVE AGAINST GREEKS, TRAN EXPECTS TO REACH AN AMICABLE SETTLEMENT WITH TURKEY RAPIDLY.

5. ACCORDING TO PERMREP SOURCES, THE COMMISSION AND COUNCIL CONSIDERED THE PROBLEM OF SPANISH IMPORTS TO BE LESS SERIOUS THAN THAT OF GREECE. THE COUNCIL AGREED THAT, BEFORE CONSIDERING THE APPLICATION OF SAFEGUARD MEASURES, THE COMMISSION SHOULD SEEK SPANISH AGREEMENT TO RENEW TEXTILE NEGOTIATIONS UNDER ARTICLE 11 OF THE 1970 EC-SPANISH TRADE AGREEMENT.

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6. THE AD REFERENDUM PORTUGUESE AGREEMENT CONTINUES TO POSE PROBLEMS FOR THE UK. THE COMMISSION HAS DEFENDED THE ARRANGEMENT, ARGUING THAT THE COUNCIL SHOULD TAKE

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 7570

INFO ALL EC CAPITALS

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INTO CONSIDERATION THE LARGE PORTUGUESE TRADE DEFICIT
WITH THE COMMUNITY IN GENERAL AND WITH THE UK AND FRANCE
IN PARTICULAR. HOWEVER, THE UK IS MAINTAINING ITS
POSITION OF PRINCIPLE (REF C) THAT THE COMMISSION SHOULD
NOT HAVE UNILATERALLY EXCEEDED THE TERMS OF ITS MANDATE
FROM THE COUNCIL IN AGREEING TO FIGURES ABOVE APPROVED
CEILINGS. UK TRADE MINISTER DELL TOLD REPORTERS AFTER
THE COUNCIL DISCUSSION THAT THE EC SHOULD SEEK AN IMMEDIATE
AGREEMENT TO LIMIT PORTUGUESE IMPORTS ALREADY OVER THE
CEILINGS, AND THAT THE COMMISSION SHOULD FORMULATE PRO-
POSALS FOR THE COUNCIL CONCERNING UNILATERAL PORTUGUESE
RESTRAINT ON PRODUCTS NOT YET OVER THE CEILINGS. DELL
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SAID THAT THE UK ALSO WANTS THE PORTUGUESE AGREEMENT TO
CONTAIN AN "EXIT FROM THE BASKET" MECHANISM ON NON-
SENSITIVE PRODUCTS. HE ANNOUNCED THAT THE UK WOULD MAIN-
TAIN ITS RESERVE ON THE AGREEMENT FOR THE TIME BEING.

7. TRAN SAID THAT MOROCCO AND TUNISIA HAVE BOTH AGREED
TO RESTRAIN LEVEL OF THEIR EXPORTS; MECHANISM FOR CONTROL
IS ENTIRELY IN THEIR HANDS. TRAN STATED THAT TO DATE
HIS INDICATIONS ARE THAT THEY ARE RESPECTING AGREED LIMITS
SCRUPULOUSLY. HINTON

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